

Staring at the Ceiling

Large cap equities closed lower last week. Despite a large increase in year-over-year earnings for most companies, growth concerns seeped in for some of the large cap tech companies. The S&P 500 Index closed the week -0.4%, the NASDAQ -1.0% and the Dow -0.4%. The U.S. 10-year Treasury bond yield decreased to 1.23% at Friday's close versus 1.28% the previous week. Small cap stocks, bonds, oil, gold, and real estate were positive for the week. Despite the down week, the S&P 500 Index has marked six consecutive positive monthly returns.

The second quarter earnings reporting season continues this week with 151 companies in the S&P 500 Index scheduled to report earnings. The current expectation is for S&P 500 earnings growth of 89.8% year-over-year, an increase from the expectation of 78.1% year-over-year growth from last week.

Initial unemployment claims for the week of July 24th decreased to 400,000 versus the previous week at 424,000. Continuing claims for July 17th were 3.269 million versus 3.262 million the week prior. As part of the Federal Open Market Committee Meeting (FOMC), Fed Chairman Jerome Powell continued to emphasize the need to close the unemployment gap toward its pre-COVID levels before the Fed would alter its current accommodative monetary policy. The July employment report is scheduled for release this Friday.

In our *Dissecting Headlines* section, we look at the expiration of the debt ceiling suspension.

Financial Market Update

	<u>Weekly Return</u>	<u>YTD Return</u>		<u>Weekly Return</u>	<u>YTD Return</u>
S&P 500 Index	-0.4%	18.0%	Aggregate Bond Index	0.2%	-0.4%
Dow Jones Industrial Average	-0.4%	15.3%	U.S. Dollar Index	-0.8%	2.5%
NASDAQ 100	-1.0%	16.5%	WTI Crude Oil	2.6%	52.4%
Russell 2000 (Small Cap Index)	0.8%	13.3%	Gold	0.7%	-4.4%
International Stocks (MSCI ex-US)	-0.4%	6.6%	Real Estate (US REIT Index)	0.2%	25.5%

Sources: S&P Global, Thomson Reuters

Dissecting Headlines: Debt Ceiling

There is a legislative limit on the amount of debt that the U.S. Treasury can take on which can limit government borrowing and spending. The debt ceiling was suspended for two years but the suspension expired at the end of July. The current national debt is just over \$28 trillion.

The Treasury Department responded to the expiration of the debt ceiling suspension by enacting emergency cash conservation measures to allow the government to pay its bills for another two to three months. These measures including redeeming some investments in federal pension programs. It is expected that Congress will either raise or suspend the debt ceiling. Congress is currently working on finalizing an infrastructure bill this week that likely takes precedence over debate and negotiation on the debt ceiling.

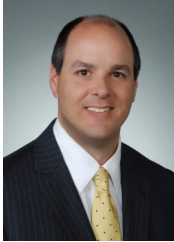
We highly doubt the U.S. would default on its debt, but the debt ceiling is a reminder that fiscal policy needs to operate within a system of checks and balances.

The NovaPoint Capital Team



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Joe has over 20 years of experience in the investment management industry. Prior to founding NovaPoint, he was a portfolio manager at Spectrum Advisory Services and GMT Capital in Atlanta, and Epoch Investment Partners in New York. He has also worked as an equity research analyst at Merrill Lynch and ABN Amro. Before beginning his investment career, Joe was an Infantry officer in the U.S. Army. Joe holds a BS from the U.S. Military Academy at West Point and an MBA from the University of Chicago. He is both a Chartered Financial Analyst (CFA) and a Chartered Market Technician (CMT).



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Alan has over 20 years of experience in the investment management industry. Prior to founding NovaPoint, he was a fixed income manager at both Spectrum Advisory Services and a private family office. Alan was also with the Bank Group division of Countrywide Capital Markets where he developed balance sheet strategies for depository institutions. He holds a BS in Banking and an MBA in Finance from Nova Southeastern University. Alan is an endurance athlete and three-time IRONMAN finisher.



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Jeff has 10 years of industry experience. Prior to joining NovaPoint, Jeff was a Vice President in the Private Banking and Investment Group at Merrill Lynch. Jeff also worked at Booz Allen Hamilton and the Department of Defense. Prior to his private sector career, Jeff was a Field Artillery officer in the U.S. Army. He holds a BA from the University of Texas and an MBA from the University of Maryland. Jeff is Chartered Financial Analyst (CFA).



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Frederick has over 30 years of experience in the investment management industry. Prior to joining NovaPoint, Frederick was a Partner and Investment Advisor at Brightworth where he advised high net worth investors. Frederick began his investment career in 1991 at Balentine & Co where he rose to Partner. He also co-founded and served as Chief Investment Officer at Wright Investment Management and at Smith & Howard Wealth Management. Prior to beginning his investment career, Frederick served as an Engineer officer in the U.S. Army. He holds a BS from the U.S. Military Academy at West Point and an MBA from Emory University. Frederick is a Chartered Financial Analyst (CFA).

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